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TAGS: [PINR](#) [VE](#) [PA](#)
SUBJECT: PARAGUAY: VENEZUELA FOREIGN AID ACTIVITIES
(C-AL7-00733)

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11. (S/NF) Summary: This telegram responds to reftel request for information. Venezuelan assistance to Paraguay has been pledged, but is not yet realized. Much of the planned aid to Paraguay is in the form of oil and gas projects and a commitment to small and medium business development. Other Chavez aid is targeted at the lower socio-economic classes. Below are Post responses. End Summary.

12. (S/NF) FROM THE VENEZUELAN STANDPOINT, HOW MUCH MONEY HAS CARACAS ACTUALLY DELIVERED TO RECIPIENT COUNTRIES IN RESPONSE TO CHAVEZ'S PUBLIC AND PRIVATE COMMITMENTS TO THE RESPECTIVE GOVERNMENTS?

-- Post has no evidence that funds have been allocated and transferred to Paraguay at this time.

13. (S/NF) IN REFERENCE TO THE "VENEZUELA DOLLAR DIPLOMACY" SPREADSHEET POSTED ON THE SIPRNET SITE FOR EMBASSY CARACAS ([HTTP://WWW.STATE.SGOV.GOV/P/WHa/CARACAS](http://www.state.sgov.gov/p/wha/caracas)), HOW MUCH MONEY HAS VENEZUELA ACTUALLY DELIVERED TO RECIPIENT COUNTRIES? DO THESE TOTALS DIFFER FROM WHAT VENEZUELA CLAIMS TO HAVE DELIVERED?

-- Post has no evidence that funds have been allocated and transferred to Paraguay at this time.

14. (S/NF) WHAT IS THE STATUS OF CARACAS'S FOLLOW-THROUGH ON ENERGY DEALS, INCLUDING SHIPMENTS OF CRUDE AND REFINED PRODUCTS TO PETROCARIBE, AND PROMISES TO BUILD REFINERIES, PIPELINES, AND OTHER ENERGY INFRASTRUCTURE OUTSIDE OF (OR TRAVERSING IN SOME CASES) VENEZUELA?

-- Paraguay signed an energy agreement with Venezuela in April 2007. Under the agreement which has come under harsh attack by Paraguay's conservative business community and the media, Venezuela's PDVSA would invest an astounding (for Paraguay) USD 600 million to modernize Petropar's oil refinery. The modernization project is expected to bring the refinery's capacity up to about 35,000 barrels per day (bpd). This is hardly cost-effective strictly speaking as the smallest refinery in neighboring Argentina has a capacity of approximately 120,000 bpd. However, it offers current leaders plenty of "grease."

-- Venezuela has offered to help Paraguay prospect for gas in the western part of Paraguay.

-- Paraguayan Treasury officials have also approved a USD 25 million bond issue for the state-run, politically-controlled Petropar to purchase Venezuelan fuel (the only bond to be issued this quarter). Again, this makes zero sense from an economic standpoint. We expect Petropar to buy the gas at market rates but PDVSA to actually ship less than the whole amount and at a discounted price. The difference will likely

be skimmed by political leaders for either personal use or campaign funds for the 2008 elections. The head of Petropar, politico Alejandro Takahasi, has begun actively campaigning and fund-raising for the Colorado Party's official slate of candidates. Perhaps, coincidentally, Transparency Paraguay has just announced it is withdrawing from its formal oversight role of Petropar's contracts and operations, as Petropar has failed to provide even the most basic information Petropar promised to the NGO.

-- Post is not aware of any recent developments regarding transfer of assets or material.

15. (S/NF) HOW MUCH HUMANITARIAN AND NON-MONETARY AID HAS CHAVEZ DELIVERED, IN TERMS OF TYPE AND ESTIMATED VALUE?

-- Post has no data on non-monetary aid. However, Venezuela provides periodic flights for poor Paraguayans - numbering in the hundreds - to travel to Cuba for eye operations in conjunction with its "Operation Miracle" program.

16. (S/NF) WHAT IS THE COST OF EDUCATIONAL SERVICES THAT VENEZUELA (POSSIBLY IN TANDEM WITH CUBA) HAS PROVIDED?

-- Post has no reports that Venezuela has made or committed resources for educational services. Cuba provides scholarships for poor Paraguayans, in the hundreds, to study to become doctors in Cuba. Upon return, however, they have encountered difficulty establishing the education they received meets Paraguay's standards to practice medicine.

17. (S/NF) TO WHAT DEGREE HAS CHAVEZ FOLLOWED THROUGH ON HIS VARIOUS COMMITMENTS TO PURCHASE BONDS OR OFFER OTHER TYPES OF FINANCIAL ASSISTANCE, TO INCLUDE DEBT FORBEARANCE OR FORGIVENESS?

-- Chavez commitments have not been realized at this time.

18. (S/NF) WHICH GOVERNMENTS ARE PUBLICLY OR PRIVATELY COMPLAINING THAT VENEZUELAN AID HAS FALLEN SHORT OF WHAT WAS PROMISED? HAS ANYONE IN THE BUSINESS COMMUNITY COMPLAINED? CONVERSELY, WHICH GOVERNMENTS ARE LAUDING VENEZUELA FOR DELIVERING ON ITS MYRIAD COMMITMENTS?

-- There have been very few public complaints by private individuals that Venezuelan aid has fallen short of what was promised. However, news reporting and editorialists have been highly critical of the deals that President Duarte has signed with Venezuela. They have also made highly critical statements of Chavez and his Administration's activities in recent weeks, particularly in connection to the closing of Venezuela's news station.

-- Many Paraguayan leaders (both from the opposition and the ruling Colorado Party) are suspicious of Chavez's motives and voice concern about his "interference into internal politics." The Venezuelan agreement with Bolivia to strengthen Bolivia's military fed concerns. At the same, President Duarte, has tilted leftward in his rhetoric and applauded Chavez' vision over the last three months. He is seeking to fend off the challenge posed to Colorado control of the government in the 2008 election by leftist priest Fernando Lugo who is leading the polls. While Lugo's campaign evinces little evidence of significant funding, it has been alleged that he has been offered assistance by the Venezuela Embassy on orders from Chavez and has signaled interest in receiving funds. Several small (mostly student or social interest-based) groups in Paraguay receive financial and material support from Venezuela but presently register little influence on the political scene; local municipal officials have told emboffs that Venezuela has provided peasant leaders training in leading social movements. Venezuela has funded flights for hundreds of poor Paraguayans to fly to Cuba for eye surgery and Venezuela appears to be winning converts at the mass levels, while the elites are increasingly nervous.

¶9. (S/NF) HAVE ANY INTERNAL LAWS OF THE HOST GOVERNMENT BEEN BROKEN BY THE ADMINISTRATION OF THE AID?

-- Post is not aware of any law that has been violated as a result of agreement(s) signed with Venezuela.

¶10. (S/NF) WHICH VENEZUELAN GOVERNMENT OFFICIALS (IF ANY) HAVE BEEN CHARGED WITH ENSURING THAT VENEZUELA FOLLOW UP ON ITS PLEDGES? HOW ARE THESE PROJECTS BEING FUNDED? IN RECIPIENT COUNTRIES, WHICH OFFICIALS (IF ANY) HAVE BEEN CHARGED WITH ENSURING FOLLOW-UP?

-- Post is not aware of any Venezuelan official specifically charged with ensuring the follow-up on Venezuela's pledges, other than the Ambassador Nora Uribe Trujillo. Many of the pledges have emanated from official visits.

¶11. (S/NF) COMMENT: Although Chavez has not yet delivered on his promises to the GOP, he still wins accolades from President Duarte and those in the lower socio-economic classes for his socialist humanitarianism. Conversely, the Duarte Administration regularly criticizes the United States for not "doing enough" for Paraguay. The U.S. financial and material assistance to Paraguay - taking into consideration our USD 10 million USAID program and the USD 35 million MCA Threshold Program - presently dwarfs what Paraguay receives from Venezuela. However, U.S.G. money comes with strings attached to advance clearly defined anti-corruption objectives with much of the USAID funds earmarked for the NGO community. Most Venezuelan and Cuban aid either falls into the humanitarian category or, given the lack of strings, creates vehicles for corruption. As per septel, greater U.S. resources earmarked for addressing Paraguay's social and economic priorities will put us in better stead in meeting the challenges posed by Venezuela in the realm of public opinion. End Comment.
CASON